

## SUBMISSION

### PRODUCTIVITY COMMISSION STUDY INTO REGULATOR ENGAGEMENT WITH SMALL BUSINESS

March 2013

The Australian Businesswomen's Network welcomes this opportunity to provide a submission to the Productivity Commission's study into Regulator Engagement with Small Business.

The Australian Businesswomen's Network:

- is a national online membership community of more than 20,000 women that champions the success of business women across Australia,
- utilises technology to provide business education, training, resources, mentoring and support to thousands of businesswomen across Australia each year,
- provides an online community for women in business to learn, connect with role models and experts, and be inspired through every stage of their business growth,
- makes available tailored membership benefits to its online community of members,
- is an opinion leader and vocal advocate on issues of importance to the success and standing of women in business in Australia, and
- produces and publishes content and resources to educate and inform businesswomen.

Within weeks, the Australian Businesswomen's Network will survey its community on issues affecting their businesses, including the constraints to business growth. We therefore may have more to say in response to the release of the Productivity Commission's draft report in June.

However, in the meantime, we would make the following points.

The World Bank's "Doing Business"<sup>1</sup> global ranking, which measures the ease of doing business in 185 countries, ranks Australia 10<sup>th</sup> for 2013.<sup>2</sup> Better than that, Australia is ranked 2<sup>nd</sup> in the category "ease of starting a business" which sends strong signals to those individuals considering starting a business.

Australian government figures show, of new business entries in the 2010–11 financial year, 94.6 per cent were mostly in the non-employing and employing micro business population, which comprises businesses employing between 0–4 employees. This was followed by the remainder of small businesses employing 5–19 employees, which accounted for 5.4 per cent of small business entries<sup>3</sup>

We know that women are starting small businesses as twice the rate of men. Research by Bankwest<sup>4</sup> using Australian Bureau of Statistics data revealed strong growth in the rate of

<sup>1</sup> <http://www.doingbusiness.org/rankings>

<sup>2</sup> <http://www.doingbusiness.org/data/exploreeconomies/australia/>

<sup>3</sup> "Australian Small Business – Key Statistics and Analysis" Department of Industry, Innovation, Science, Research and Tertiary Education, Canberra, 2012

<sup>4</sup> Crawford, Tim "Bankwest Business Trends Report" (May 2011), Sydney.

Mentoring, business education,  
and networking opportunities  
for women in business.

women starting up businesses over five years (7 per cent) compared with men (1.9 per cent) to February 2011. We also know that there has been a faster increase in the number of women running a business over ten years, up 18.5%, compared to 6.0% growth for men.

In March 2012 the Australian Women's Chamber of Commerce and Industry's national survey of women entrepreneurs<sup>5</sup> found that the number of women running their own business reached one million in 2012. Interestingly, just over 40 per cent started their business with less than \$5000, putting them in the micro to small category on establishment.

While there are a number of reasons women choose to go in to business, including workplace flexibility, "glass ceiling" issues in some industries, or simply to fulfil their ambition of business ownership, these statistics give some credence to Australia's rankings in the ease of starting a business.

However, once established, the ease of doing business in Australia starts to weaken, mostly due to the cost of compliance.

For example, the World Bank ranks Australia 48<sup>th</sup> in the world for "paying taxes" estimating companies make an average of 11 tax payments a year, taking an average of 109 hours to complete. This equates to approximately 2 hours a week for tax compliance alone. This is a cost burden for small to medium enterprises that may not have the capacity to employ a finance team so either undertake the compliance themselves or incur costs by employing a staff member or accountant to manage.

But for small, young and home-based businesses, which are more likely to be started by women,<sup>6</sup> the compliance is often undertaken by the founder /owner and becomes a barrier to business growth.

Other areas of weakness for Australia in the World Bank rankings included property registration (37<sup>th</sup>), getting electricity (36<sup>th</sup>) and trading across borders (44<sup>th</sup>) – all related to regulation issues.

These barriers mean the growth of many small businesses may be constrained which has a flow on effect for the economy.

According to Australian government statistics, small business (defined as less than 20 employees) currently makes up nearly half of the nation's private sector employment and contributes about one-third of the value of the private sector.<sup>7</sup> Therefore, more needs to be done to promote growth in this sector of the economy. Cutting compliance costs to micro and small businesses would be a practical way to facilitate growth.

As mentioned, the Australian Businesswomen's Network should have more to say about these issues later in the year.

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<sup>5</sup> <http://www.awcci.org.au/LinkClick.aspx?fileticket=FI9SF1tUKmw%3d&tabid=89&mid=407>

<sup>6</sup> Provision of Gender Training Workshop for People Attending the APEC Women Summit Dr. W. Kathy Tannous & Dr. Meg Smith University of Western Sydney, 2011

<sup>7</sup> Australian Small Business – Key Statistics and Analysis" Department of Industry, Innovation, Science, Research and Tertiary Education, Canberra, 2012

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